

NARRATIVE REPORT ON GHANA



PART 1: NARRATIVE REPORT

Ghana has long been touted as an inspiration for true multi-party democracy and a nation with a fairly well-performing economy in sub-Saharan Africa. Over a decade ago, Ghana formally initiated and eventually became a secrecy jurisdiction – an International Financial Services Centre (IFSC) was created and Barclays Bank Ghana Limited (BBGL) was granted the only offshore banking licence in the country. Ultimately, Ghana failed in its quest to become a secrecy jurisdiction, less than five years after BBGL was granted an offshore banking licence. However, the framework that established the IFSC still exists on Ghana’s law books. Currently, there are plans to revive the IFSC in 2018.

The history of Ghana as a secrecy jurisdiction

Formal proceedings to set up an IFSC in Ghana began in 2005 when the then government under the leadership of President John Kufour¹ signed a Memorandum of Understanding (MoU) with BBGL to further investigate the establishment of an IFSC in Ghana. In fact, in 2002, Kufour had already alluded to the direction Ghana would take in a [speech to the Ghana Investment Advisory Council](#), “There are still some important issues to be resolved. For example, not much progress has been made on the proposals for the establishment of an offshore banking enclave”.²

Both parties to the MoU were to commit to the investigation of the proposed IFSC in Ghana. In 2006, the government and BBGL worked together to design the operational, legal, regulatory and organisational framework of the IFSC. This included research done by global consulting firm Grant Thornton on the feasibility of an IFSC in Ghana drawing on Mauritius’ experience.³ Additionally, a working paper in 2006 “Development of Offshore Financial Services Centre in Ghana: Issues and Implications” was published by Ghana’s Central Bank, Bank of Ghana (BOG). An important step in the realization of Ghana’s IFSC was to amend the country’s banking laws. In 2007, Ghana’s Parliament amended the banking act to “facilitate the establishment of an International Financial Services Centre that seeks to attract foreign direct investment, income from licence fees payable in foreign currencies, create employment, enhance local skills and knowledge, strengthen the financial sector through expansion in the use of investment banking instruments and to provide for related matters”.⁴ In 2007, BOG granted the only licence to BBGL to operate offshore banking services.

The failure of offshore banking

The licence for BBGL to operate offshore banking services was short-lived. After less than five years of operating offshore financial services, the government under the leadership of the late Professor John Evans Atta Mills⁵ revoked BBGL’s offshore banking licence in 2011. This was to avoid blacklisting by the OECD. Former President Atta Mills himself was once a Commissioner of the then Internal Revenue Service and also a tax lawyer. It was a move to save face. As Central Bank Governor Mr. Kwesi Amissah-Arthur [remarked](#) in a Monetary Policy meeting of BOG “Ghana was gaining a reputation for launder, we did not want to confirm this misperception”.⁶ Although Ghana was placed on the Financial Action

Rank: 95

Chart 1 - How Secretive?

62
Secrecy Score

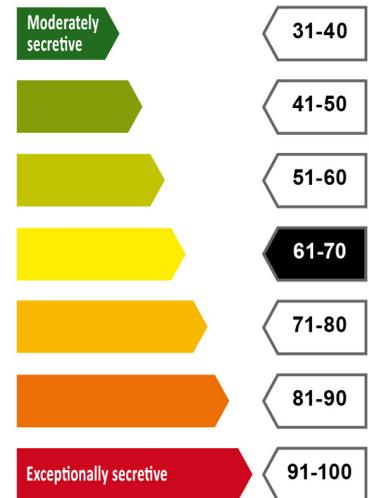
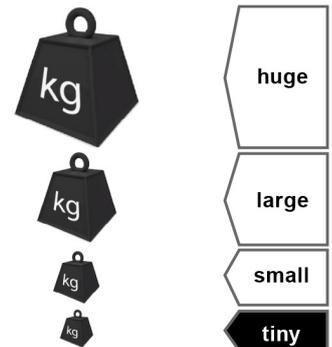


Chart 2 - How Big?



Ghana accounts for less than 0,1 per cent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions.

The ranking is based on a combination of its secrecy score and scale weighting.

Full data on Ghana is available here: www.financialsecrecyindex.com/database

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Task Force's blacklist of money-laundering countries, it was removed in 2012 following government action.

It is of no surprise that the management of BBGL led by its Managing Director, Benjamin Dabrah, expressed [discontent with the withdrawal of the offshore banking licence](#) in 2011 and accused the government of not fulfilling its side of the bargain. Dabrah said "The country currently does not have the legislative framework and tax reforms to allow the smooth operation of an International Financial Services Centre."⁷ Dabrah, who was [appointed Managing Director of BBGL in 2008](#), took over when the bank was making losses for the first time and needed to stay in business.⁸ BBGL stayed in business and made significant profits during his tenure, which can be partly attributed to the offshore banking licence it had at the time. The withdrawal of BBGL's offshore licence in 2011 significantly impacted BBGL's finances and eventually led to the Dabrah's resignation in 2013.

The current state of play

Although there have been no offshore banking services in Ghana since 2011, the overall legal framework establishing the IFSC still exists. As a result, it would be easy to revive the IFSC. Since the inception of the new government⁹ in January 2017, there have been a series of institutional events, policy statements by government officials and new programmes/regulations which suggest that the (re) establishment of an IFSC is imminent.

The second most powerful person in Ghana, Vice President Dr. Mahamudu Bawumia, also head of government's economic management team, who was a former Deputy Governor of the Central Bank (2006-2009), [revealed plans to revive the establishment of the IFSC](#) in a meeting with the Chartered Institute of Bankers. He declared "we have stated in 2018 we are reviving it [IFSC] and the law is still there. We'll revive and implement that policy framework".¹⁰

The first official policy statement on paper by the government towards reviving the IFSC appeared in the 2018 Budget Statement to parliament by the Minister of Finance and Economic Planning in November 2017. [Page 151 of the Budget Statement](#) reads: "Mr. Speaker, positioning Ghana as an international financial services centre is intended to make it the preferred headquarters for all international banks operating in the sub-region. Ghana is also becoming the hub for the financial technology and payment systems for the region. The Hub is intended to host the international private equity and venture capital

firms to support entrepreneurship and access to long term capital by the private sector in the sub-region".¹¹

Interestingly, the current Minister of Finance and Economic Planning, Ken Ofori-Atta, is not new to the scheme to set up an IFSC. Ofori-Atta was the [co-founder and former chairman of local investment banking Databank Group](#) in Ghana from 1990 to 2012.¹² [Databank Financial Services](#)¹³ was one of the institutions that pushed for Ghana to establish an offshore centre in 2006 during a meeting of the Ghana Investment Advisory Council which was headed by former President Kufour.

Ofori-Atta has personally used secrecy jurisdictions including for Databank Financial Services. His name was found among the [Paradise Papers](#).¹⁴ Ofori-Atta Ken Nana Yaw is listed in the International Consortium of Investigative Journalist (ICIJ) offshore leaks database as a Co-director (2001-2012) and President (2001-2012) of Songhai Financial Holdings Limited, an entity registered in tax haven Bermuda. Songhai Financial Holdings is a subsidiary of Databank Financial Services in Ghana.

The selection of the new governor for the Central Bank was telling. In 2017, Dr. Ernest Addison was appointed. He had provided general direction in the Central Bank's 2008 research titled "[Offshore Banking and the Prospects for the Ghanaian Economy](#)".¹⁵ Government's interference in the selection of governors is not new, and the trend seems to be continuing with the new government under President Nana Akufo-Addo, although the bank insists it is independent. Addison, too, has indicated Ghana's intention of setting up an IFSC. He [remarked](#) at an annual general meeting of the Ghana Association of Bankers in 2017 that "Ghana cannot have an international financial services centre with weak banks that have weak capital, thus, the issue of disclosure requirements expected of banks under the new governance regulations are very key within that international financial services framework".¹⁶

Despite the moves to position itself as an IFSC, Ofori-Atta expressed government's commitment to implement the automatic exchange of financial accounts information under the common reporting standard in 2018. He notes in the [2018 Government Budget Statement](#) that "Mr. Speaker, to improve transparency and deepen the fight against tax evasion, the Automatic Exchange of Financial Information Bill will be laid before Parliament. The Automatic Exchange of Financial Account Information is the new standard for exchange of information through the use of the Common

Reporting Standards. The Standards provide reporting and due diligence rules that are to be imposed on financial institutions to collect and report financial account information to the Competent Authorities in their jurisdictions for onward exchange with other jurisdictions".¹⁷

Most significantly, in 2016, [Ghana amended its companies law](#) to require registration of beneficial ownership, including name, address and date of birth (new Section 27 of the Companies Act 179).¹⁸

Other measures the government has taken to regulate the financial sector include increasing the minimum capital requirement for operation of banks in the country from GHC 120 million to GHC 400 million in September. [The Central Bank justified the increase](#) by saying this is "to further develop, strengthen, and modernize the financial sector to support the government's economic vision and transformational agenda."¹⁹ Furthermore, there have been moves to [digitise Ghana's economy](#) by the current government.²⁰

Conclusion

It is puzzling that Ghana is pursuing an agenda of establishing itself as an IFSC considering that it woefully failed in its quest to become one a decade ago. Beyond the dangers of IFSCs, such as facilitating money laundering and other illicit financial flows, the ability of the Central Bank to effectively regulate the financial system is questionable. The country's huge debts led to an IMF bailout programme three years ago (and due to be completed this year). Alongside rising unemployment and the depreciation of the local currency (the cedi), two local banks – the UT Bank and Capital Bank – were insolvent in 2017 and had their licences revoked by the Central Bank; this was done almost too late and could have had spill over effects on the financial system.

Furthermore, given the secretive nature of IFSCs and the inability of the government and lawmakers to pass the right to information bill – a bill which has been in and out of parliament for over a decade – one must rightly question the state of transparency and access to reliable and timely information in Ghana. Most telling, however, is that the Central Bank has to date not undertaken or made available a rigorous impact assessment to understand how the country and economy fared when BBGL was granted offshore banking licence. This calls into question the potential benefits of an IFSC that are being promoted by government, including increased employment and expansion of the entire financial system.

Endnotes

- 1 His tenure of office was from 2001-2008 on the ticket of the New Patriotic Party.
- 2 <https://www.ghanaweb.com/GhanaHomePage/NewsArchive/President-Kufuor-s-Address-to-the-Investment-Advisory-Council-29396>; 25.01.2018.
- 3 Prichard Wilson 2009, Taxation and Development in Ghana: Finance, Equity and Accountability.
- 4 Banking Act, 2004 (Act 673).
- 5 President of Ghana from 2009-2014, National Democratic Congress party.
- 6 <https://www.modernghana.com/news/318925/1/why-barclays-gave-up-its-offshore-licence.html>; 25.01.2018.
- 7 <https://www.modernghana.com/news/318925/1/why-barclays-gave-up-its-offshore-licence.html>; 25.01.2018.
- 8 <http://www.businessworldghana.com/people-and-profits-how-benjamin-dabrah-used-one-to-achieve-the-other/>; 25.01.2018.
- 9 The New Patriotic Party under the leadership of President Akufo-Addo (2017-2020). This was essentially the same party in power when the idea of IFSC first came up and offshore banking license.
- 10 <https://www.myjoyonline.com/business/2017/November-28th/govt-committed-to-making-ghana-west-africas-financial-hub-veep.php>; 25.01.2018.
- 11 <https://www.mofep.gov.gh/sites/default/files/budget-statements/2018-Budget-Statement-and-Economic-Policy.pdf>; 25.01.2018.
- 12 <https://www.mofep.gov.gh/team/ministers/ken-ofori-atta>; 25.01.2018.
- 13 *The Statesman* newspaper, now *New Statesman Newspaper*, in a news publication noted some institutions and companies comprising Ghana Investment Advisory Council (GIAC). It noted "The membership of the council includes representatives of international and local investors from African Communications Agency, Interplast, Tata Group, Data-bank Financial Services, BHI Holding Ltd. and Dannex. Others are Property Ventures, Heinz, Coca-Cola Company, Empretec, Barclays Bank Ghana, Standard Chartered Bank, Hewlett Packard, NEPAD Business Forum, and representatives from 23 companies. The council consists of a strategic balance of internationally-reputed investors. They include the President of Heinz Sea Food Europe and Area director, Adolfo Valeschi, Vice President of Coca Cola Africa, Robert Lindsey, Cheol-Woo Lee, vice president of Global Business Development, among others. In addition, the World Bank, IMF, GIPC, UNDP and Private Enterprises Foundation serve as observers on the GIAC": <https://www.ghanaweb.com/GhanaHomePage/economy/Govt-set-to-transform-Ghana-into-financial-haven-102025>; 25.01.2018.
- 14 <https://offshoreleaks.icij.org/nodes/80031712>; 25.01.2018.
- 15 <https://www.bog.gov.gh/privatecontent/Research/Sector%20Studies/off%20shore%20banking.pdf>; 25.01.2018.
- 16 <https://www.myjoyonline.com/business/2017/August-14th/ofori-atta-pushes-for-ghana-as-an-international-financial-centre.php>; 25.01.2018.
- 17 <https://www.mofep.gov.gh/sites/default/files/budget-statements/2018-Budget-Statement-and-Economic-Policy.pdf>; 25.01.2018.
- 18 <https://www.ghanabusinessnews.com/2016/11/02/ghana-amends-company-law-to-establish-register-for-beneficial-ownership/>; 25.01.2018.
- 19 https://www.bog.gov.gh/privatecontent/Public_Notices/Notice%20on%20New%20Minimum%20Paid%20Up%20Capital.pdf; 25.01.2018.
- 20 In presenting the 2018 Budget Statement, the Minister of Finance and Economic Planning declared "Mr. Speaker, government implemented the much-awaited National Digital Addressing System on October 18, 2017 to help formalise the economy. In 2018, Government through Ghana Post will develop postal codes to feed into the National Identification System. About 4,000 National Service Personnel will be engaged to emboss digital addresses on all landed properties nationwide. Mr. Speaker, after eight long years of inaction, the National Identification Programme was revived and on 15th September, 2017 the first ID card was issued to H.E. the President. The National Identification Authority will commence issuing 'The Ghanacard' after the amendment of the National Identification Authority Act, 2006 (Act 707) and subsequent passage of the relevant LI. It will be the first ever multi-purpose card issued in Ghana to support government's efforts at formalising the economy": <https://www.mofep.gov.gh/sites/default/files/budget-statements/2018-Budget-Statement-and-Economic-Policy.pdf>; 25.01.2018.

PART 2: GHANA'S SECRECY SCORE

OWNERSHIP REGISTRATION

- 53% 1. Banking Secrecy
- 50% 2. Trust and Foundations Register
- 40% 3. Recorded Company Ownership
- 100% 4. Other Wealth Ownership
- 0% 5. Limited Partnership Transparency

LEGAL ENTITY TRANSPARENCY

- 100% 6. Public Company Ownership
- 100% 7. Public Company Accounts
- 100% 8. Country-by-Country Reporting
- 100% 9. Corporate Tax Disclosure
- 100% 10. Legal Entity Identifier

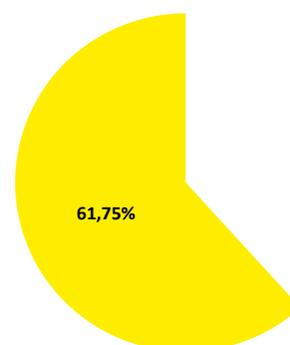
INTEGRITY OF TAX AND FINANCIAL REGULATION

- 88% 11. Tax Administration Capacity
- 0% 12. Consistent Personal Income Tax
- 80% 13. Avoids Promoting Tax Evasion
- 75% 14. Tax Court Secrecy
- 25% 15. Harmful Structures
- 90% 16. Public Statistics

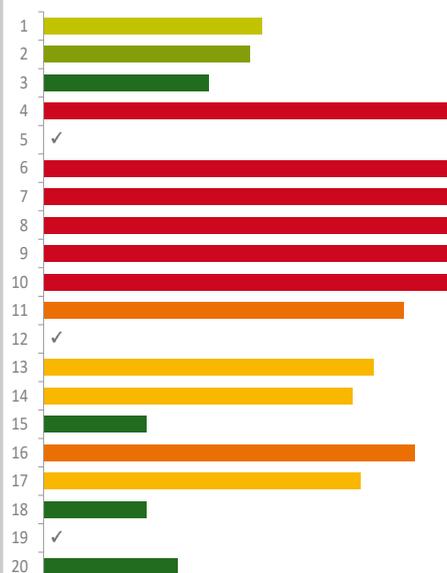
INTERNATIONAL STANDARDS AND COOPERATION

- 77% 17. Anti-Money Laundering
- 25% 18. Automatic Information Exchange
- 0% 19. Bilateral Treaties
- 33% 20. International Legal Cooperation

Ghana - Secrecy Score



Ghana KFSI-Assessment Secrecy Scores



Notes and Sources

The ranking is based on a combination of its secrecy score and scale weighting (click [here](#) to see our full methodology).

The secrecy score of 62 per cent has been computed as the average score of 20 Key Financial Secrecy Indicators (KFSI), listed on the left. Each KFSI is explained in more detail by clicking on the name of the indicators.

A grey tick indicates full compliance with the relevant indicator, meaning least secrecy; red indicates non-compliance (most secrecy); colours in between partial compliance.

This paper draws on data sources including regulatory reports, legislation, regulation and news available as of 30.09.2017.

Full data on Ghana is available here: www.financial-secrecyindex.com/database.

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